

# Tourism Related Capital Projects and Reserve

Tourism Development Commission  
June 20, 2017

## **Tourism Related Capital Projects and Reserve.**

Presentation, discussion and possible recommendation regarding use of Tourism Development Funds, including carry over funds, for tourism-related capital projects, including the visitor related capital project evaluation, the development of a five-year Tourism Development Capital Improvement Plan, and the establishment of a stabilization reserve.

## Looking ahead – potential uses of ongoing bed tax funds

<u>ITEM</u>	<u>TYPE</u>
Civic Center	Capital
Desert Discovery Center	Capital
Canal Convergence	Destination Event
Canal Banks	Capital
WestWorld	Capital
Downtown Scottsdale (Mkt & Promo)	Enhancement
Scottsdale Road	Capital
Scottsdale Stadium	Capital
Parking	Capital
Bike Share	Capital
Ride Share	Enhancement
Loloma Site	Capital
Taliesin West Visitors Center	Enhancement
Scottsdale Center for the Performing Arts	Capital
Scottsdale's Museum of the West Phase II	Capital

## Visitor Related Capital Project Evaluation

Criteria	Weight	Points
1. Attracts new or repeat markets particularly during the non-peak season	10	30
2. Enhances Scottsdale's national and/or Southwest image	9	30
3. Increases visitor length of stay and stimulate spending opportunities	8	20
4. Creates positive impact on the non-hotel property sector of the visitor industry	7	15
5. Creates positive impact on the non-hotel property sector of the visitor industry	6	5

## Visitor Related Capital Project Evaluation - Example

	Canal Banks	Canal Convergence	Civic Center	Desert Discovery Center	Downtown Scottsdale (Scottsdale /Western Week)	Event Parking - WW	Stadium	Scottsdale Road	WestWorld	Bike Share
Attracts new or repeat markets particularly during the non-peak season	123	142	123	140	124	107	114	115	134	86
Enhances Scottsdale's national and/or Southwest image	129	141	130	145	126	106	127	125	130	112
Increases visitor length of stay and stimulate spending opportunities	69	93	68	96	77	56	81	63	81	45
Creates positive impact on the non-hotel property sector of the visitor industry	71	71	67	57	68	52	60	64	60	62
Maintains or enhances Scottsdale's quality of life and lifestyle	23	21	23	24	20	18	19	21	23	24
TOTAL	415	468	411	462	415	339	401	388	428	329
Rank	4	1	6	2	4	9	7	8	3	10

## **Develop Five-Year Tourism Capital Improvement Plan**

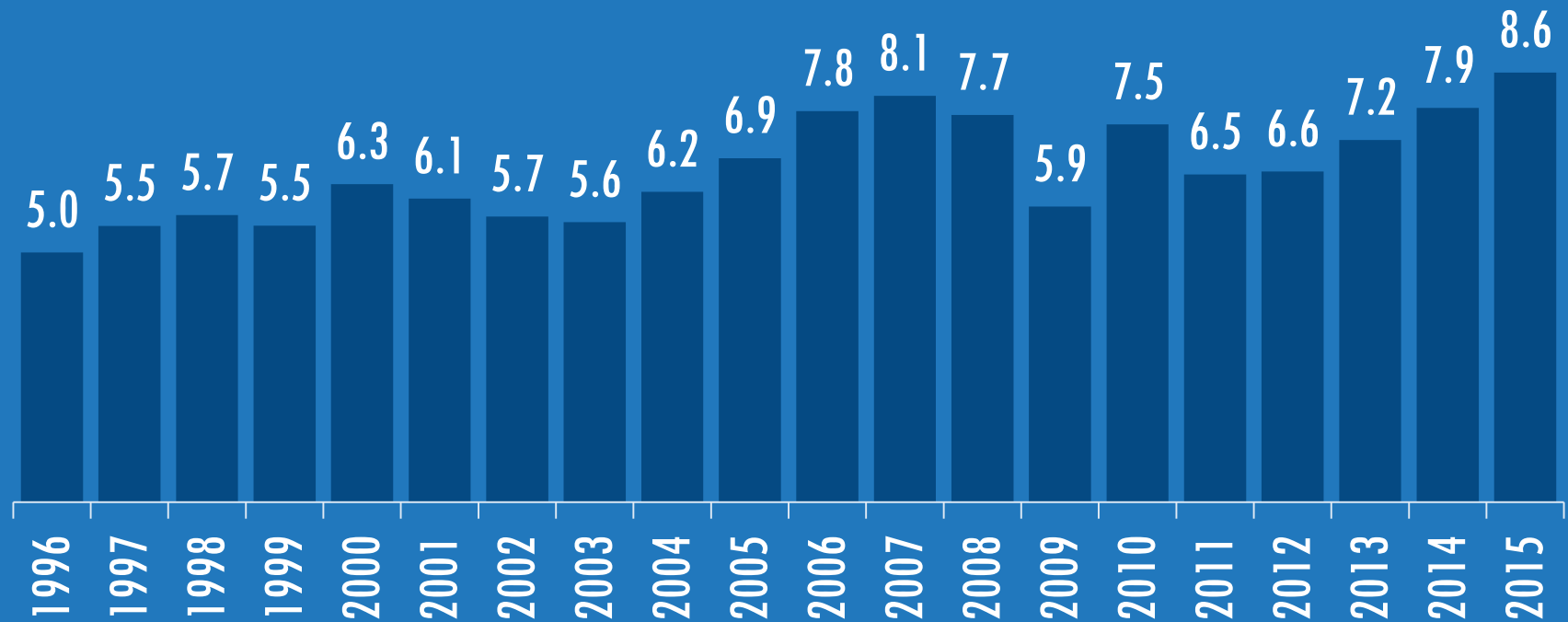
Work with the Tourism Development Commission at next few meetings to develop a recommendation with regards to the projects that should be included in a Tourism Capital Improvement Plan, the phasing of the plan, and the relative amounts dedicated to these projects (one-time and ongoing).

## Why consider a reserve for the Tourism Development Fund?

- This is an item in the 5-Year Tourism Strategic Plan
- The city has reserves for other funds (General, Transportation, Water, Sewer, Solid Waste, Aviation, Self-Insurance), however, the city does not have reserves for the restricted funds, including Preserve, Special Programs and Tourism Development
- Bed tax is cyclical by nature. Having a reserve could help Scottsdale remain competitive during downturns or catastrophic incidents.

## Adjusted Bed Tax Collections (in millions)

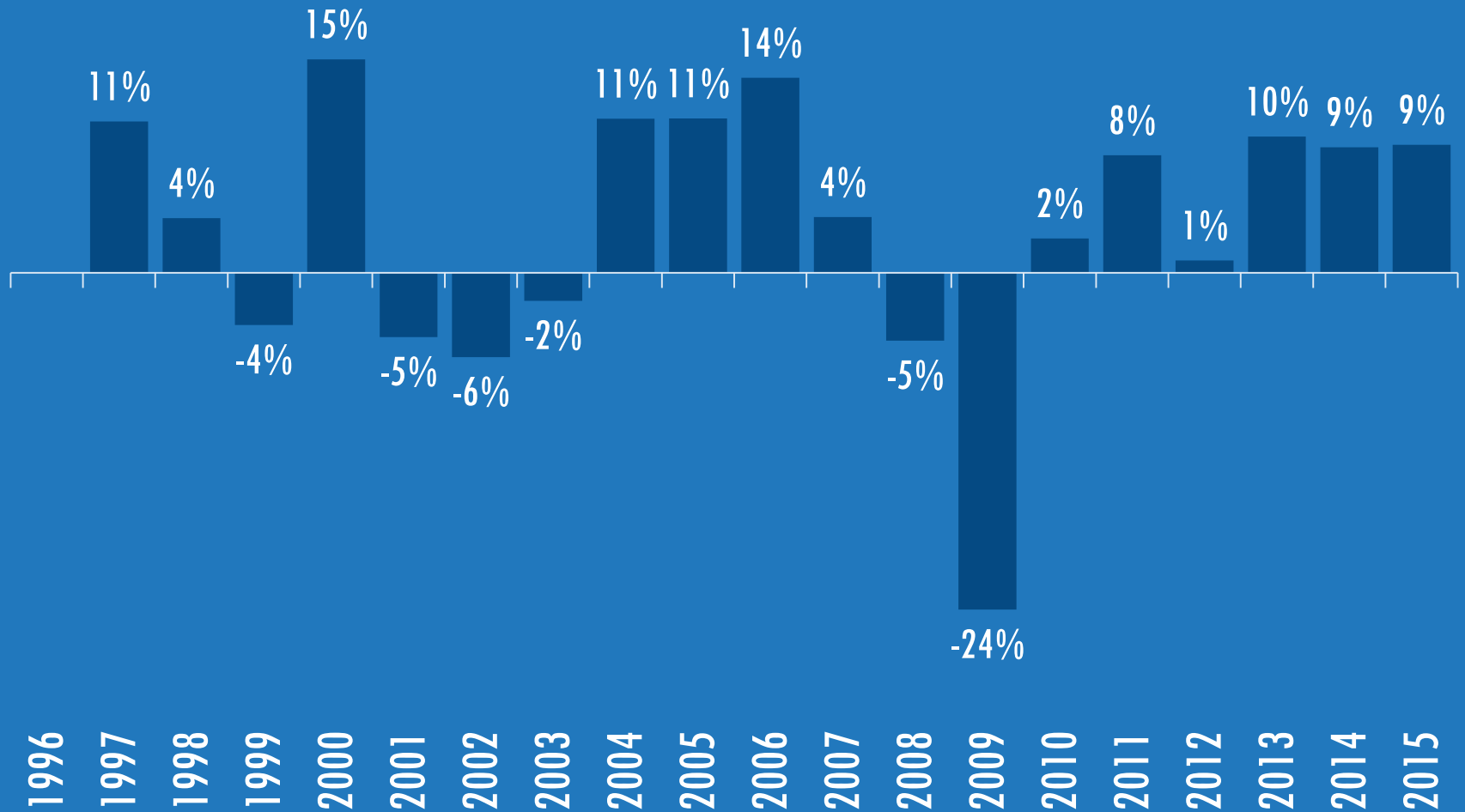
At current rate — only non-destination marketing portion 50% of total





# Bed Tax Collections – Shown at Current Rate of 5%

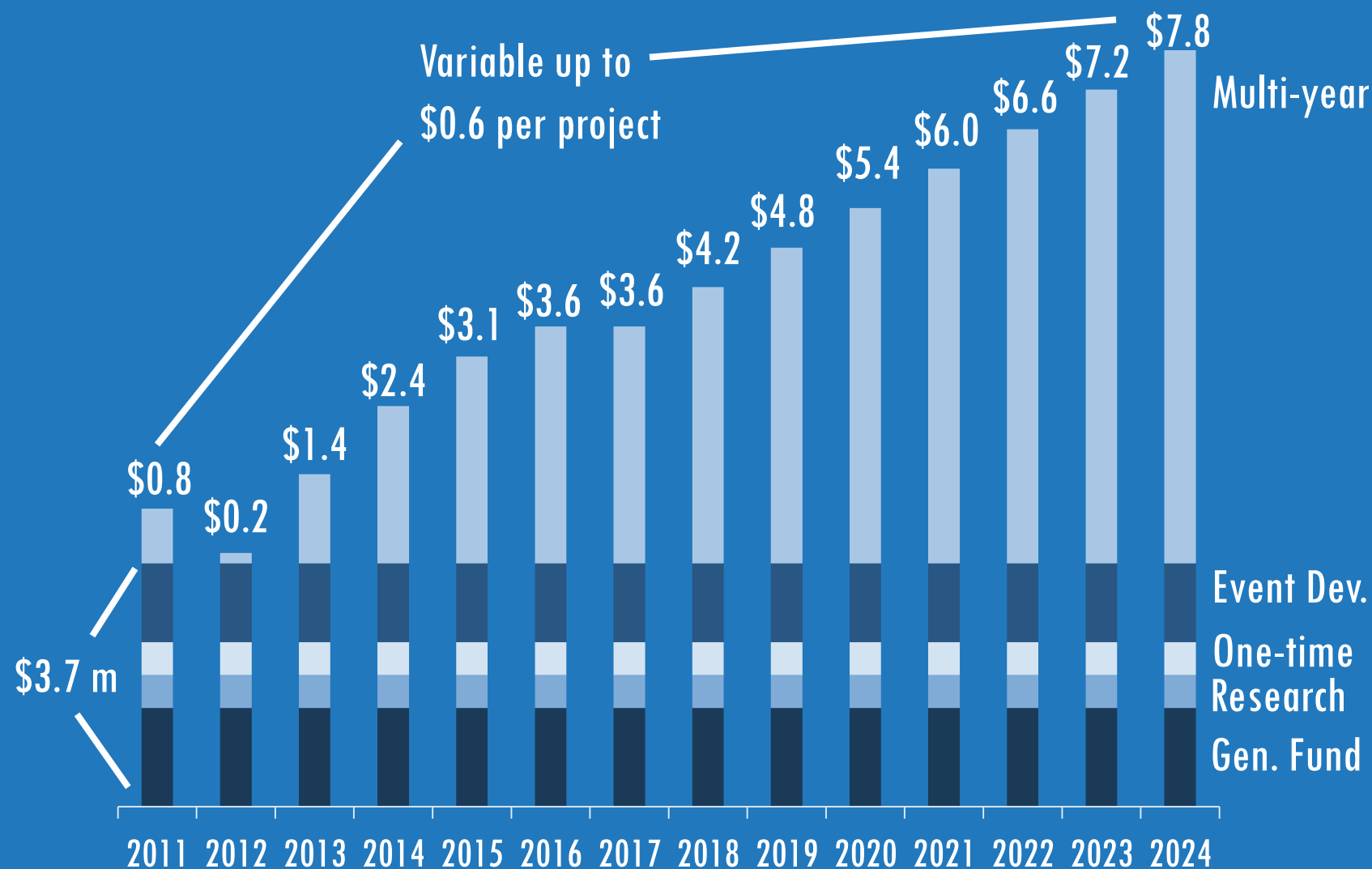
Year over Year % Change



**The proposed reserve is only for city  
non-destination marketing tourism expenditures.**

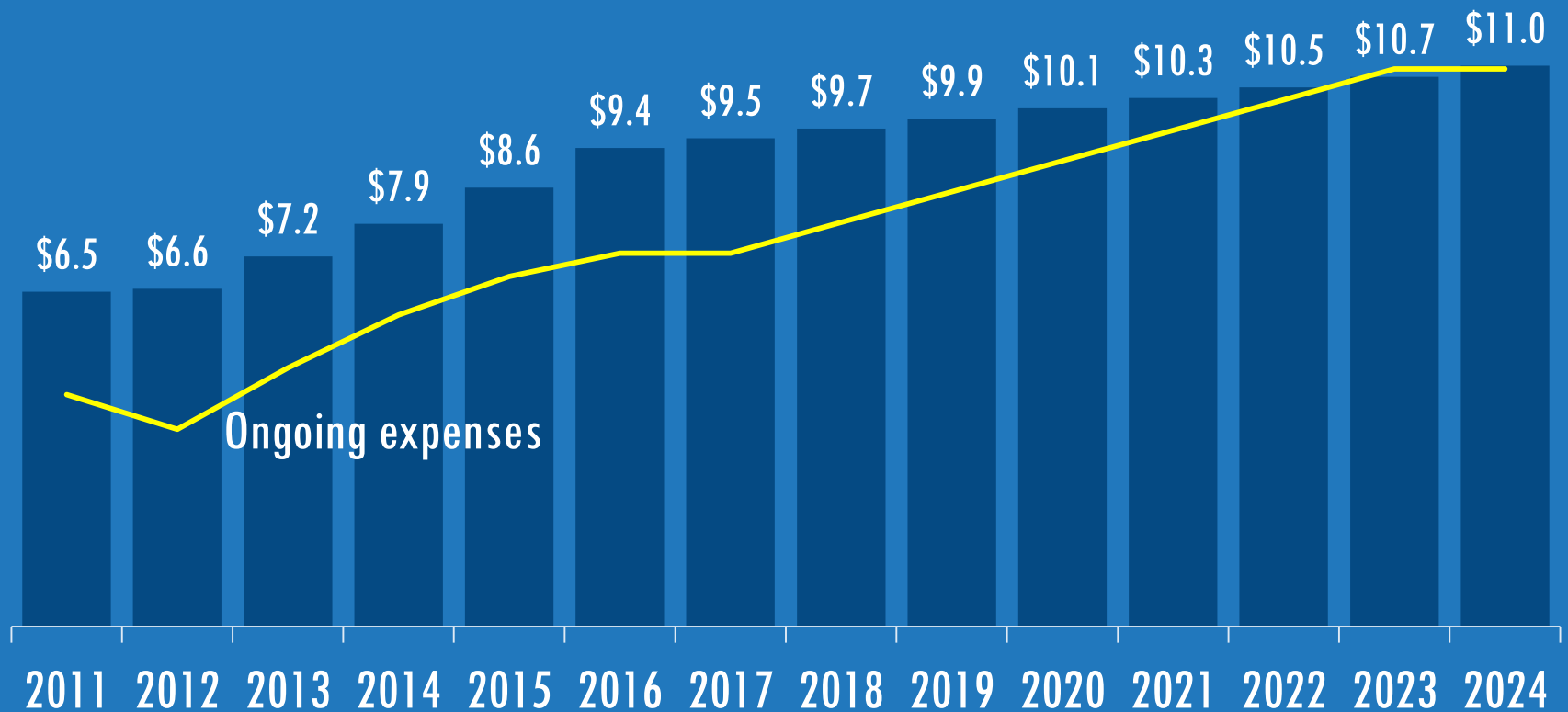
Current non-marketing revenues:		\$9.3 million
Current expenditures:		
General Fund allocation		\$ 1.5 million
One-time capital budget		0.5
Administrative/Research		0.5
Event retention and development	1.2	
Multi-year commitments for capital	<u>3.3</u>	million
		\$ 7.0 million

# Current and potential multi-year commitments



# Slow Growth Scenario

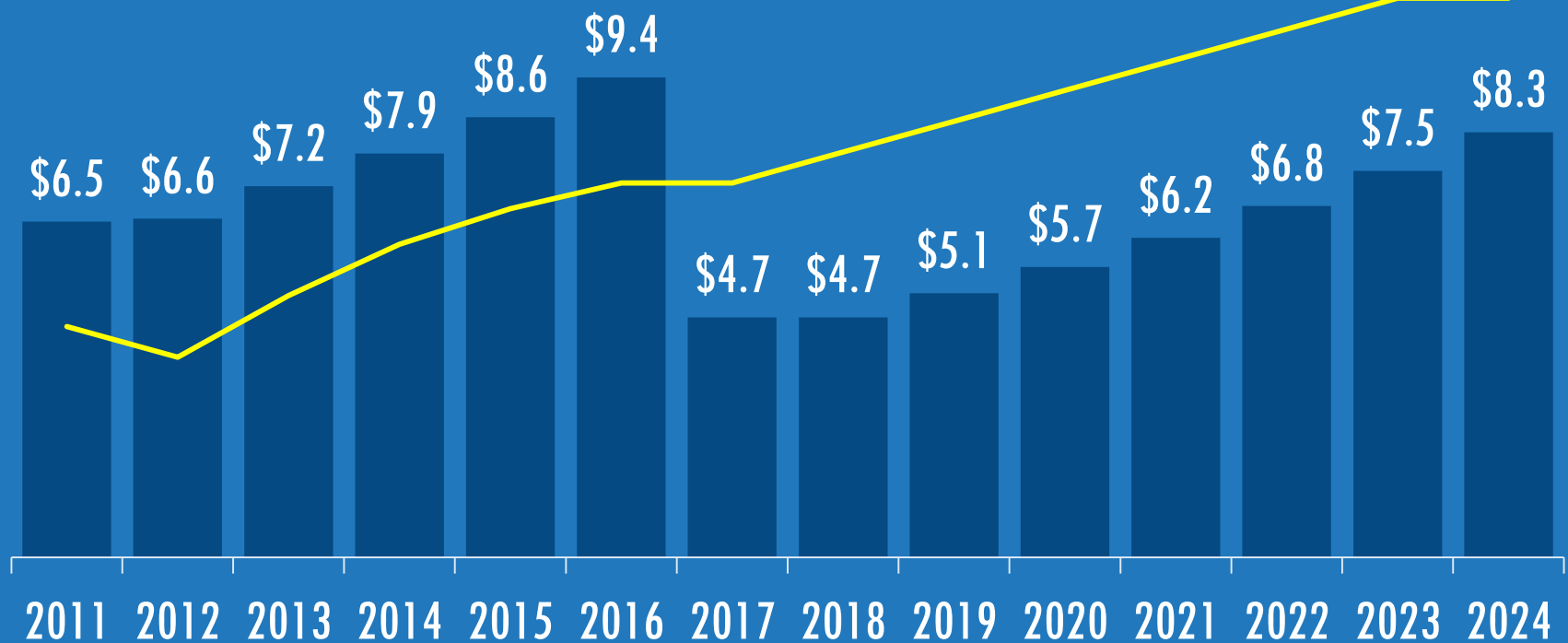
Average 2% increase per year



## Boycott or Health Scare or Terrorist Scenario –

Dramatic (50%) drop with multi-year recovery

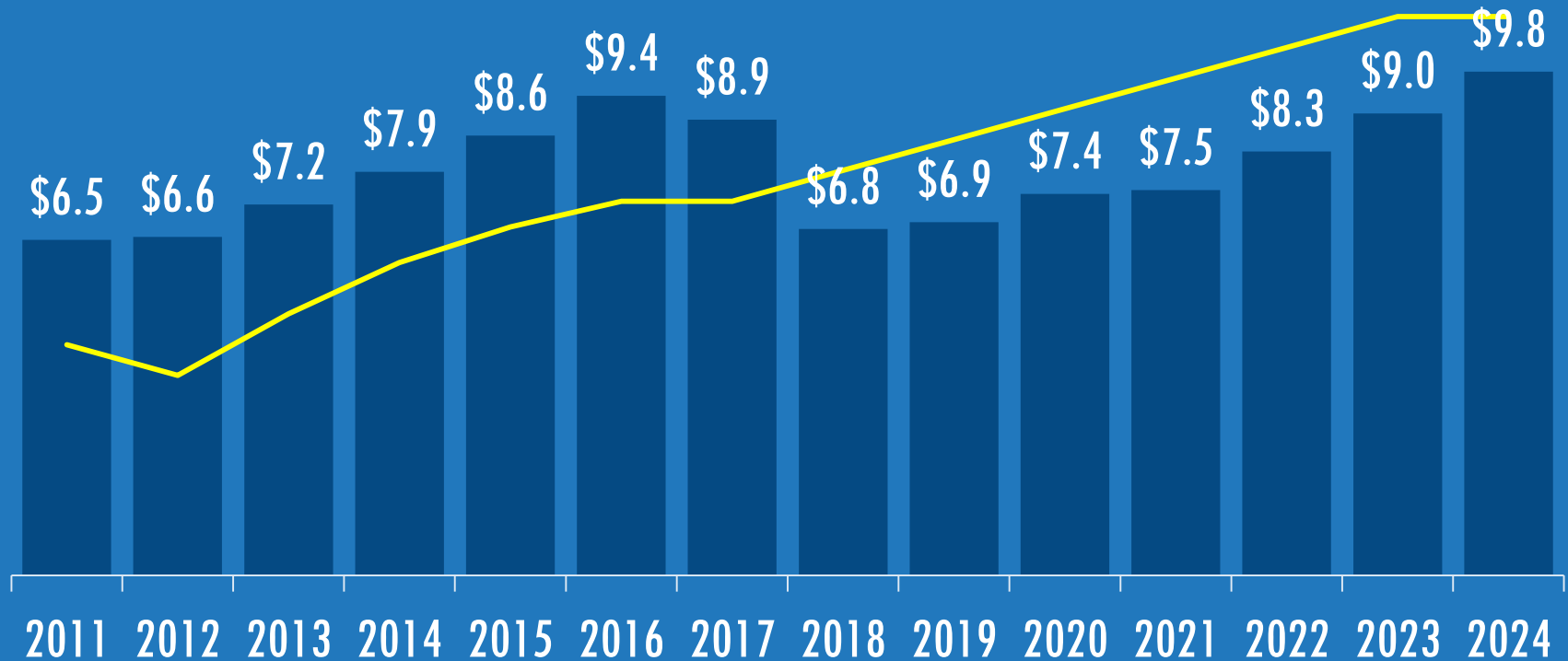
Significant reserve needed, plus reduction in expenses



## Great Recession Scenario —

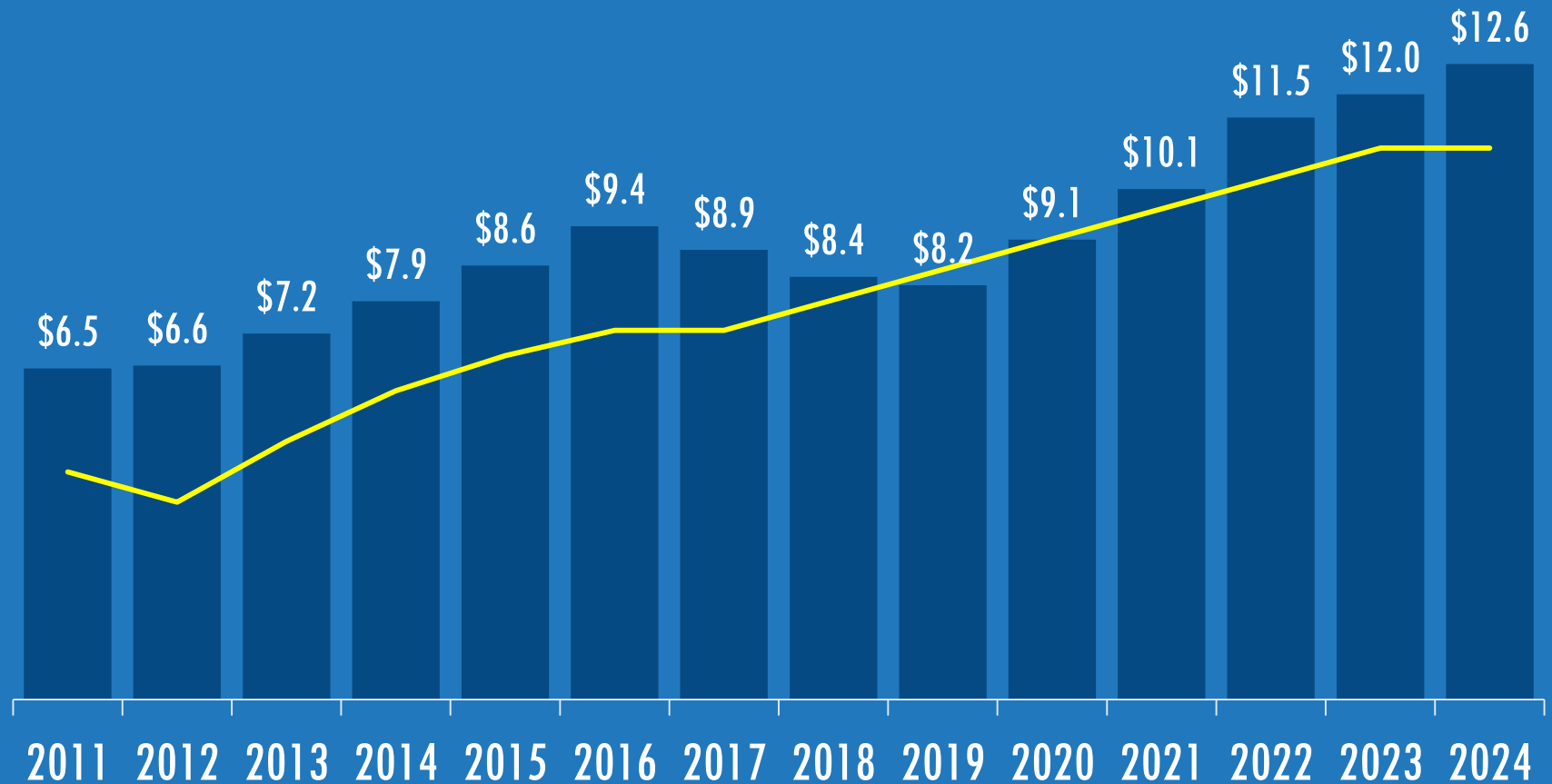
1 year of significant (25%) reduction, with slow recovery

Minor reserve needed of \$1 million or less



# 9/11 Scenario

Three years of single digit decreases



## Considerations —

- In the annual budget process, the Tourism Development Commission should monitor ongoing expenditures.
- Special attention must be given to multi-year capital commitments which would reduce resiliency in a crisis.
- As commitments increase, the budgeted reserve should also increase to ensure the city has uncommitted reserves to cover a boycott, health scare, terrorist event to recover for the future.
- This would provide a buffer to continue these activities in support of Scottsdale tourism even through an economic downturn



## Recommendations

- In the event of a decrease on bed tax revenues, multi-year commitments will have priority and be met first
- Use of Reserve would not be considered unless revenues are unable to cover funding for existing multi-year commitments
- Reserve can only be used with Council approval
- Reserve funds could then be used for tourism-related event support, tourism research, and other one-time tourism-related commitments, and then other uses that have been approved by the City Council
- Reserve would be replenished once ongoing required bed tax allocations are met

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